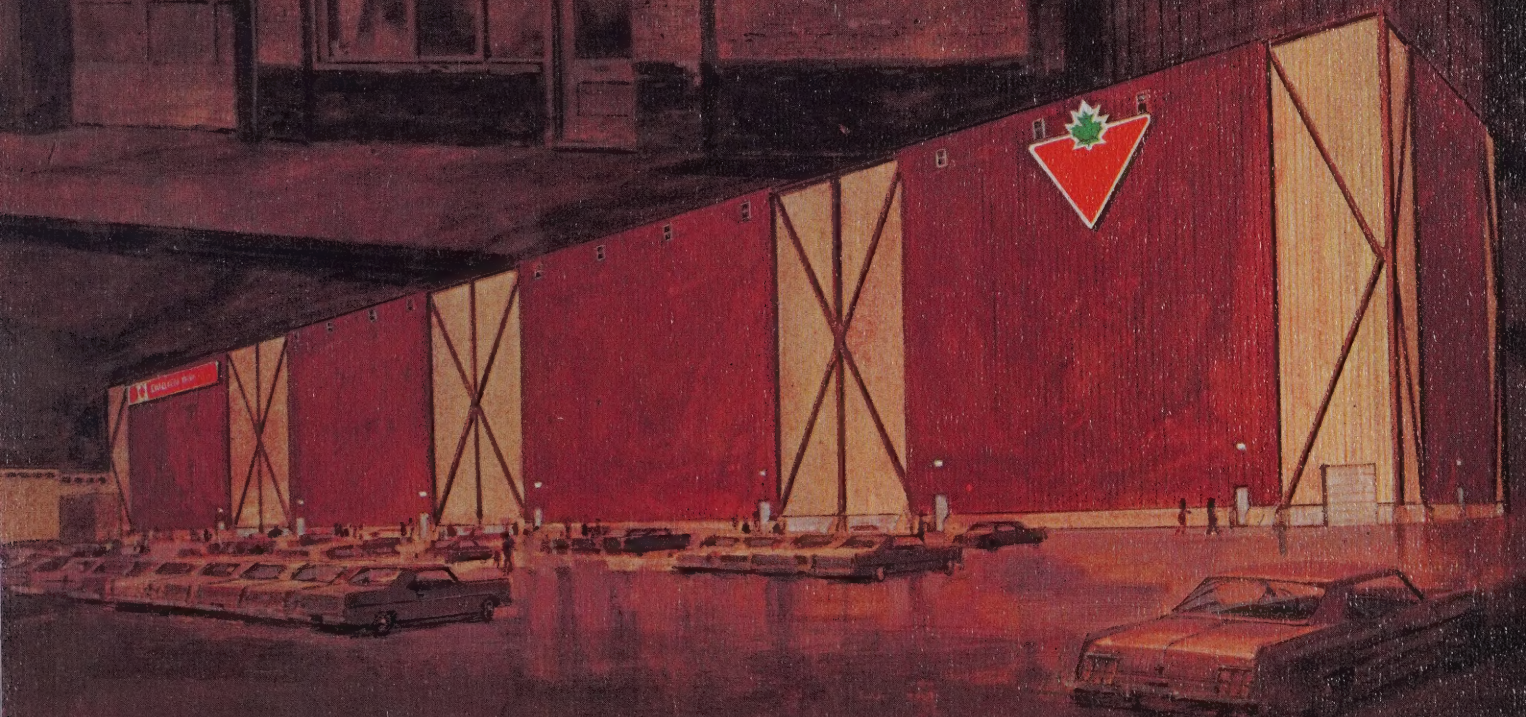


AR20



Canadian Tire Corporation, Limited

# ANNUAL REPORT 1972



# highlights

	1972	1971	Per cent Annual Change
Gross operating revenue . . . . .	\$305,869,533	\$244,460,737	25.1%
Net income . . . . .	\$ 16,100,108	\$ 12,955,105	24.3%
Per share* . . . . .	\$ 1.48	\$ 1.20	23.3%
Cash flow . . . . .	\$ 19,317,117	\$ 15,224,778	26.9%
Per share* . . . . .	\$ 1.78	\$ 1.41	26.2%
Dividends paid . . . . .	\$ 2,498,848	\$ 2,165,803	15.4%
Per share . . . . .	23 cents	20 cents	15.0%
Shareholders' equity . . . . .	\$ 98,481,979	\$ 83,773,947	17.6%
Per share* . . . . .	\$ 9.06	\$ 7.74	17.1%
Working capital . . . . .	\$ 38,184,062	\$ 34,264,307	11.4%
Capital expenditures . . . . .	\$ 17,989,403	\$ 10,643,851	69.0%
Number of stores at year-end	269	260	3.5%
Number of shareholders . . . . .	9,894	8,252	19.9%

\*Combined Class A and common—based on weighted average number of shares outstanding during the year.

99.0% of our 9,894 shareholders reside in Canada and own 99.7% of the total shares outstanding.

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FRONT COVER: Canadian Tire's original location in 1922 is contrasted with our new Mississauga Distribution Centre, now nearing completion.



### HEAD OFFICE:

837 Yonge Street, Toronto  
Class A and Common shares listed on the  
Toronto and Montreal Stock Exchanges.



J. D. MUNCASTER, *President  
and Chief Executive Officer*



## *directors' report*

FOR 1972, NET INCOME after taxes was \$16,100,000 or \$1.48 per share, compared with \$12,955,000 or \$1.20 per share for 1971—an increase of 24.3% in net income after taxes and an increase of 23.3% in earnings per share. Included in income for both years is the Company's equity in the earnings of Canadian Tire Acceptance Limited—a wholly-owned subsidiary. Net income after taxes of the Acceptance Company was \$261,000 in 1972 and \$204,000 in 1971. Also included in net income for both years were extraordinary gains on the sale of property, amounting to \$118,000 in 1972 (1 cent per share) and \$242,000 in 1971 (2 cents per share).

In our preliminary report of 1972 results, reference was made to our decision to strengthen our position of price leadership through the reduction of selling prices in many merchandise categories. The impact of this pricing strategy, combined with strong consumer spending generally, resulted in a sales increase by Canadian Tire dealers to the public of 22.8% over the previous year—the second highest rate of sales increase in the past decade, being exceeded only by a 24.1% increase in 1968.

Although operating costs were again lower as a percentage of revenues, the lower gross margin resulting from the Company's competitive pricing strategy and reduced earnings from gasoline operations combined to limit growth in income before taxes to 20.5% or 9.9% of revenues—a reduction from 10.3% in 1971. With lower income tax rates applicable to first half earnings, however, net income after taxes but *before* extraordinary gain increased by 25.7%, or

slightly more than the gross operating revenue increase of 25.1%. Return on shareholders' equity was 16.3% after taxes, the highest level in recent years.

Capital expenditures during 1972 amounted to \$18.0 million. Of this, some \$13.0 million was invested in expanded retail store capacity, with the remainder being largely represented by the beginning of construction of the Mississauga Distribution Centre, improvements to the Sheppard Avenue Distribution Centre and additions to the transportation fleet. Despite the record size of this capital programme, funds provided from operations and a reduction in the requirement for long-term financing of dealers yielded a working capital increase of some \$4 million to a level of \$38 million. During 1973, the completion of the Mississauga Distribution Centre and a continuation of our retail store expansion programme will result in an even higher level of capital expenditures.

ALTHOUGH DEALER income debentures were reduced by some \$3.3 million during the year, inventory loans to dealers increased by some \$3.9 million. This change in emphasis in dealer financing and a change in the timing of payment for seasonal merchandise were largely responsible for the substantial increase in accounts and loans receivable. Inventory levels also increased significantly during the year. This increase resulted from a combination of factors—gener-

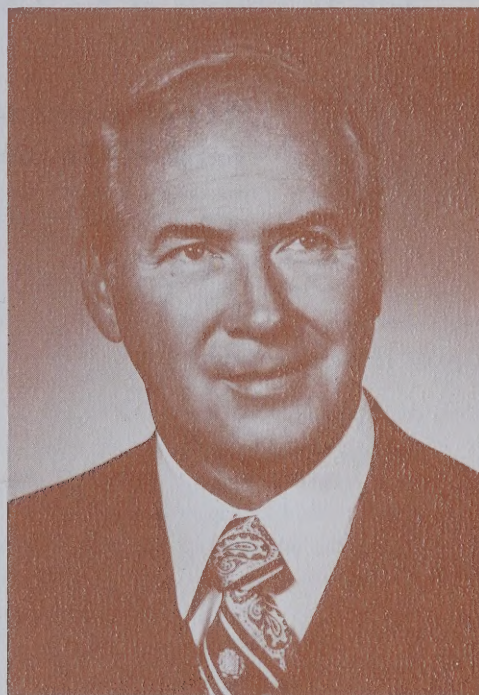
## to the shareholders

ally higher inventory levels to service an expanding business, a decision to accept delivery before year-end of certain Spring merchandise expected to be in short supply (notably bicycles) and a carry-over of some Winter merchandise because of the very unusual weather conditions of the past season.

THE QUARTERLY DIVIDEND payable on June 1, 1973, has been declared in the amount of 7 cents per Class A and Common share, an increase from the previous quarterly rate of 6 cents per share.

1972 WAS AGAIN a year of rapid expansion of Canadian Tire Acceptance Limited. Gross operating revenue increased by 44.0% to \$3.3 million. Because of the expenses associated with the opening of some 80,000 new accounts and the desire to fully provide for potential credit losses, total operating expenses increased by 49.0%. Therefore, net income for the year was limited to an increase of 27.9%, to \$261,000. The benefits of the rapidly increasing number of Canadian Tire credit card holders are expected to accrue in future years.

PROFIT SHARING awards for 1972 amounted to more than \$1.4 million. The attitude of participation and involvement fostered by this profit sharing and share ownership philosophy remains one of the Company's most valuable assets.



A. E. BARRON, *Chairman of the Board*

IN LOOKING TO 1973, early results indicate another year of substantial growth. Despite the very unusual weather conditions, dealer sales to the public increased by 21.0% in January and February. With the benefit of more normal weather and an additional selling day, at the time of writing the first 135 stores reporting have posted a sales increase of some 40% for March. Accordingly, with consumer spending expected to remain strong and with expanded retail capacity—eight new stores were opened in the second half of 1972, with nine more to be added in the first half of 1973—we view the remainder of 1973 quite optimistically.

On behalf of the Board,

*Dated April 3, 1973.*

A handwritten signature in dark ink, appearing to read "A. E. Barron".

*Chairman of the Board*

A handwritten signature in dark ink, appearing to read "D. H. McMaster".

*President and Chief Executive Officer*

# CANADIAN TIRE CORPORATION LIMITED



## Statement of Income and Retained Earnings

for the Year ended December 31, 1972  
(with 1971 figures for comparison)

	1972	1971
GROSS OPERATING REVENUE . . . . .	\$305,869,533	\$244,460,737
Deduct operating expenses:		
Cost of merchandise sold and all expenses except for the undernoted items . . . . .	271,131,701	216,047,135
Depreciation and amortization . . . . .	3,309,072	2,600,722
Employee deferred profit sharing and share purchase plans . . . . .	1,418,059	1,238,676
Interest on long-term debt . . . . .	1,386,549	807,780
Total operating expenses . . . . .	277,245,381	220,694,313
	28,624,152	23,766,424
Interest income (Note 7) . . . . .	1,619,882	1,348,658
Income before income taxes . . . . .	30,244,034	25,115,082
Provision for income taxes . . . . .	14,522,357	12,606,279
Income from operations . . . . .	15,721,677	12,508,803
Equity in net income of subsidiary company (Note 2) . . . . .	260,657	203,923
Income for the year before extraordinary gain . . . . .	15,982,334	12,712,726
Gain on sale of property . . . . .	117,774	242,379
NET INCOME FOR THE YEAR . . . . .	16,100,108	12,955,105
RETAINED EARNINGS AT BEGINNING OF THE YEAR . . . . .	59,307,217	48,517,915
	75,407,325	61,473,020
DEDUCT:		
Dividends paid:		
Class A shares . . . . .	1,705,348	1,475,803
Common shares . . . . .	793,500	690,000
	2,498,848	2,165,803
RETAINED EARNINGS AT END OF THE YEAR . . . . .	\$ 72,908,477	\$ 59,307,217
Earnings per share before extraordinary gain . . . . .	\$ 1.47	\$ 1.18
Earnings per share relating to gain on sale of property . . . . .	0.01	0.02
EARNINGS PER SHARE (Note 8) . . . . .	\$ 1.48	\$ 1.20

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

# CANADIAN TIRE CORPORATION LIMITED

## Statement of Source and Application of Funds

for the Year ended December 31, 1972  
(with 1971 figures for comparison)

### FUNDS PROVIDED:

	1972	1971
Income from operations . . . . .	\$15,721,677	\$12,508,803
Depreciation and amortization . . . . .	3,309,072	2,600,722
Amortization of debenture discount and issue expense . . . . .	21,245	12,393
Deferred income tax charge — decrease (increase) . . . . .	147,349	(139,519)
Total funds provided from operations . . . . .	19,199,343	14,982,399
Issue of 8½% Sinking Fund Debentures . . . . .	—	14,575,108
Issue of Class A shares (Note 5) . . . . .	1,106,772	1,495,697
Increase in mortgages payable . . . . .	191,698	523,834
Decrease in mortgages receivable . . . . .	252,216	—
Decrease in long-term portion of income debentures . . . . .	3,292,035	1,549,866
Disposal of property and equipment . . . . .	365,942	644,495
Total funds provided . . . . .	24,408,006	33,771,399

### FUNDS APPLIED:

#### Additions to property and equipment:

Land . . . . .	4,312,248	2,325,093
Buildings . . . . .	10,168,351	6,758,431
Fixtures and equipment . . . . .	2,339,977	782,716
Automotive equipment . . . . .	923,216	287,216
Leasehold improvements . . . . .	245,611	490,395
	17,989,403	10,643,851

Increase in mortgages receivable . . . . .	—	95,507
--	---	--------

#### Dividends paid:

Class A shares . . . . .	1,705,348	1,475,803
Common shares . . . . .	793,500	690,000
Total funds applied . . . . .	20,488,251	12,905,161

INCREASE IN WORKING CAPITAL FOR THE YEAR . . . . .	3,919,755	20,866,238
Working capital at beginning of the year . . . . .	34,264,307	13,398,069
WORKING CAPITAL AT END OF THE YEAR . . . . .	<u>\$38,184,062</u>	<u>\$34,264,307</u>

The accompanying notes, on pages 8 & 9, are in integral part of these financial statements.

# CANADIAN TIRE CORPORATION LIMITED

## ***Balance***

### ASSETS

#### CURRENT ASSETS:

	1972	1971
Cash and bank deposit receipts . . . . .	\$ 6,752,078	\$ 9,100,677
Short-term notes — at cost which approximates market value . . . . .	7,195,320	17,941,740
Accounts and loans receivable . . . . .	30,247,268	17,833,265
Due from subsidiary company . . . . .	71,299	66,997
Merchandise inventories (Note 1) . . . . .	39,642,789	26,022,723
Income debentures of Canadian Tire dealers — amounts due within one year . . . . .	1,054,719	1,110,061
Total current assets . . . . .	<u>84,963,473</u>	<u>72,075,463</u>

#### INVESTMENTS:

Shares of subsidiary company not consolidated (Note 2) . . . . .	2,055,482	1,794,825
Income debentures of Canadian Tire dealers — less amounts due within one year — at cost . . . . .	3,398,826	6,690,861
Total investments . . . . .	<u>5,454,308</u>	<u>8,485,686</u>

#### PROPERTY AND EQUIPMENT — at cost (Note 3):

Land . . . . .	20,462,695	16,243,156
Buildings . . . . .	55,702,454	45,800,483
Fixtures and equipment . . . . .	8,858,435	6,518,458
Automotive equipment . . . . .	2,398,832	1,487,020
Leasehold improvements . . . . .	1,441,501	1,195,890
	<u>88,863,917</u>	<u>71,245,007</u>
Less accumulated depreciation and amortization . . . . .	19,127,583	15,940,836
Net property and equipment . . . . .	<u>69,736,334</u>	<u>55,304,171</u>

#### OTHER ASSETS:

Mortgages receivable . . . . .	149,868	402,084
Deferred income tax charge . . . . .	522,303	669,652
Debenture discount and issue expense — less accumulated amortization of \$33,638 (1971—\$12,393) (Note 4) . . . . .	391,254	412,499
Total other assets . . . . .	<u>1,063,425</u>	<u>1,484,235</u>
TOTAL . . . . .	<u>\$161,217,540</u>	<u>\$137,349,555</u>

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.



# Sheet as at December 31, 1972 (with 1971 figures for comparison)

## LIABILITIES AND SHAREHOLDERS' EQUITY

### CURRENT LIABILITIES:

	1972	1971
Accounts payable . . . . .	\$ 23,355,321	\$ 18,131,798
Accrued liabilities and coupons outstanding . . . . .	19,875,070	16,094,423
Income taxes payable . . . . .	2,210,494	2,040,397
Note payable . . . . .	69,000	69,000
Loans payable to directors and shareholders . . . . .	964,010	1,307,238
Mortgages payable — amounts due within one year . . . . .	305,516	168,300
Total current liabilities . . . . .	<u>46,779,411</u>	<u>37,811,156</u>

### LONG-TERM DEBT (Note 4):

Mortgages payable — less amounts due within one year . . . . .	956,150	764,452
8½% Sinking Fund Debentures, Series A . . . . .	<u>15,000,000</u>	<u>15,000,000</u>
Total long-term debt . . . . .	<u>15,956,150</u>	<u>15,764,452</u>

### SHAREHOLDERS' EQUITY:

#### Capital stock (Notes 5 and 6):

##### Authorized:

15,000,000 Class A non-voting shares without par value

3,450,300 common shares without par value

##### Issued and fully paid:

7,420,688 Class A shares (1971—7,392,490 shares) . . . . . 24,681,314 | 23,574,542 |

3,450,000 common shares . . . . . 892,188 | 892,188 |

Retained earnings . . . . .	25,573,502	24,466,730
	<u>72,908,477</u>	<u>59,307,217</u>
Total shareholders' equity . . . . .	<u>98,481,979</u>	<u>83,773,947</u>
TOTAL . . . . .	<u>\$161,217,540</u>	<u>\$137,349,555</u>

Approved by the Board: J. D. Muncaster, Director; A. L. Sherring, Director.

Page 7



## notes to the financial statements

### 1 Inventories

Merchandise inventories have been valued at the lower of cost or estimated net realizable value less normal profit margin.

### 2 Investment in Wholly-owned Subsidiary Company (Canadian Tire Acceptance Limited)

	1972	1971
Preference shares—at cost . . . . .	\$1,200,000	\$1,200,000
Common shares—at cost . . . . .	101,031	101,031
Equity in accumulated earnings . . . . .	754,451	493,794
	<u>\$2,055,482</u>	<u>\$1,794,825</u>

The investment in the subsidiary company, Canadian Tire Acceptance Limited, is accounted for on the equity method. As a result, the company's equity in the net earnings of the subsidiary has been included in the statement of income and retained earnings.

The assets and liabilities and income and expenses of Canadian Tire Acceptance Limited have not been consolidated with those of Canadian Tire Corporation, Limited since the operations of the subsidiary are not comparable to the operations of the parent company.

### 3 Property and Equipment

It is the company's practice to provide for depreciation under the declining-balance method at various annual rates (buildings—5%, fixtures and equipment—20%, and automotive equipment—30%), and to provide for amortization of leasehold improvements on a straight-line basis over the terms of the respective leases.

As at December 31, 1972, the company has commitments for acquisition of properties and expansion of warehouse and retail store facilities amounting to \$9,001,056.

### 4 Long-term Debt

#### Mortgages Payable:

Mortgages have been assumed on the acquisition of nine properties. These mortgages mature at various times between 1973 and 1982, and bear interest at rates between 5% and 8½%.

#### Sinking Fund Debentures:

The 8½% Sinking Fund Debentures, Series A, (unsecured) mature on June 1, 1991, and are redeemable, in whole or in part, at a premium of 8½% to January 14, 1973, decreasing ½% annually thereafter. Under the Trust Indenture, a sinking fund must be provided to redeem \$500,000 of Series A

Debentures at par in each of the years 1977 to 1991 inclusive. The Trust Indenture imposes certain restrictions on the company. To December 31, 1972, all of the conditions of the Trust Indenture have been met.

The debenture discount and issue expense is being amortized on a straight-line basis over the term of the debentures.

### 5 Capital Stock

#### Issue of Class A Shares:

During 1972, the company issued 28,198 Class A non-voting shares for cash in the total amount of \$1,106,772. All of these shares were issued to, or for the benefit of, the employees and officers of the company, the employees of the subsidiary, and the employees of authorized dealers.

#### Conditions of Class A Shares:

The conditions attached to the Class A shares prohibit the issue of Class A shares unless either:

- such shares are being issued to, or for the benefit of, employees of the company, or employees of any subsidiary, or authorized dealers, or the employees of authorized dealers, pursuant to a scheme or plan in existence at such time, or
- the authorization of the holders of Class A shares shall first have been obtained.

#### Share Options:

Under the share option arrangement (see Note 6), certain senior officers, engaged directly in the management of the company, have been granted options to purchase Class A non-voting shares of the company. The options are exercisable at any time during a ten-year period from the date granted, as follows:

Date Granted	Expiry Date	Price	Number of shares
February 27, 1970	February 28, 1980	\$20.287	17,259
February 26, 1971	February 26, 1981	24.975	25,695
February 29, 1972	February 28, 1982	35.325	23,677
February 28, 1973	February 28, 1983	54.900	17,656

### 6 Remuneration (Directors and Senior Officers)

The aggregate direct remuneration paid, or payable, by the company to the directors and senior officers of the company, as a group, during the fiscal year ended December 31, 1972 was \$343,753 (1971—\$319,000). In addition, with respect to the fiscal year ended December 31, 1972, pursuant to a share purchase arrangement and a share option arrangement authorized by resolution of the directors, the company:



- (a) paid to certain senior officers, engaged directly in the management of the company, amounts calculated by reference to the earnings of the company for such fiscal year which, after provision for personal income tax, provided sums sufficient in the aggregate to pay the subscription price (\$223,260) of 3,660 Class A non-voting shares of the company, required by this arrangement to be subscribed for by such senior officers, at the market value thereof as at February 28, 1973, namely \$61.00 per share, and
- (b) granted to certain senior officers, engaged directly in the management of the company, options to purchase 17,656 Class A non-voting shares of the company at a price of \$54.90 per share, being 90% of the market value thereof as at February 28, 1973, such options to be exercisable at any time up to February 28, 1983, at which time they expire.

It is presently proposed that the share purchase arrangement and the share option arrangement will be continued in the future, and may be extended to certain other senior officers of the company from time to time, engaged or to be engaged, directly in the management of the company. Also with respect to the fiscal year ended December 31, 1972, the company paid to the Trustees of the Canadian Tire Deferred Profit Sharing Plan for the benefit of senior officers, amounts determined on the same basis as for other employees of the company.

## 7 Interest Income

Interest income is comprised of the following:

	1972	1971
Income debentures . . . . .	\$ 368,996	\$ 540,230
Short-term investments and bank deposit receipts . . . .	805,739	442,387
Other . . . . .	445,147	366,041
	<u>\$1,619,882</u>	<u>\$1,348,658</u>

## 8 Earnings Per Share

The earnings per share figures are calculated using the weighted average number of shares outstanding.

The exercise of the share options referred to in Note 5 would have no material effect on the reported earnings per share.

## 9 Guarantees

The company has guaranteed, unconditionally, the payment of short-term promissory notes issued, or to be issued,

by Canadian Tire Acceptance Limited. As at December 31, 1972, the total amount of such notes, outstanding and subject to guarantee, was \$9,600,000. The company has arranged bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time. In addition, the company has guaranteed bank loans payable by Canadian Tire Acceptance Limited. As at December 31, 1972, the amount of such loans, outstanding and subject to guarantee, was \$222,500.

## 10 Leases

As at December 31, 1972, the company has minimum commitments (exclusive of taxes, insurance and other occupancy charges) for rental of properties under 27 leases with termination dates between 1973 and 1994. The minimum annual payments required in each of the next five years are as follows:

Year	Minimum Annual Rentals
1973 . . . . .	\$777,401
1974 . . . . .	729,453
1975 . . . . .	712,283
1976 . . . . .	712,883
1977 . . . . .	710,483

## Auditors' Report to the Shareholders

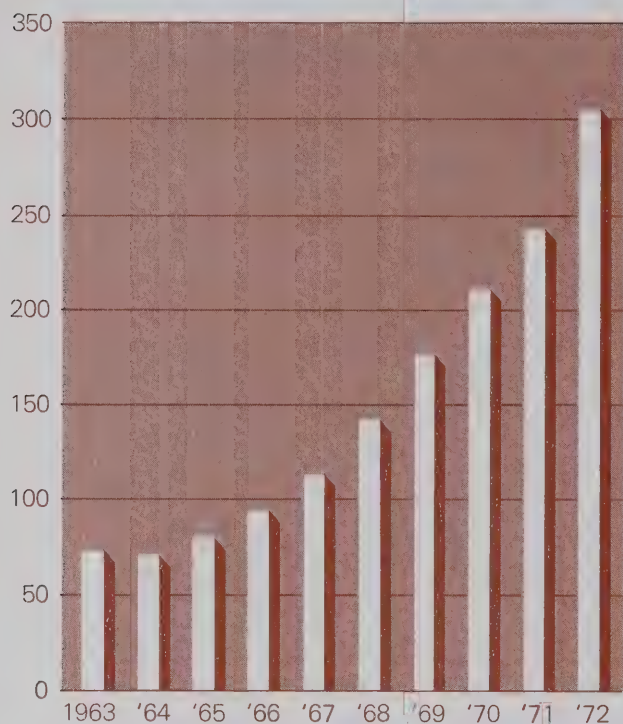
*We have examined the balance sheet of Canadian Tire Corporation, Limited as at December 31, 1972 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

*In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.*

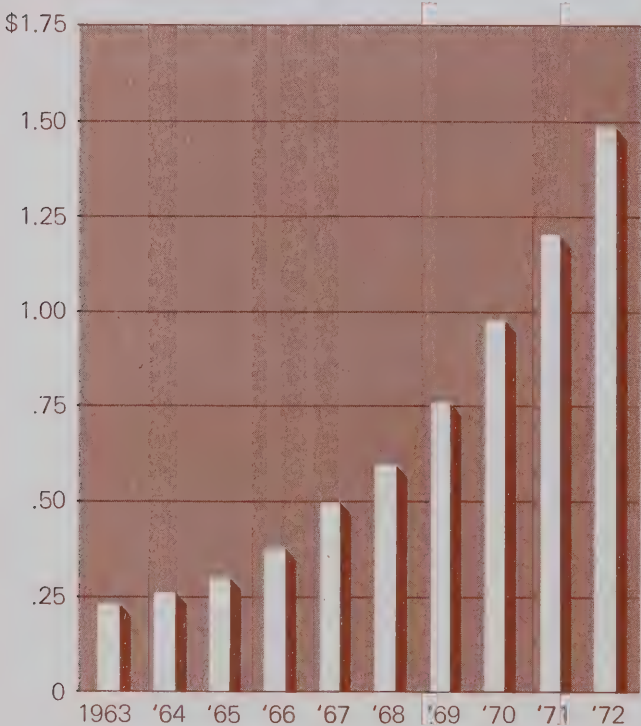
Toronto, Canada  
March 9, 1973

Deloitte, Haskins & Sells  
Chartered Accountants

Gross Operating Revenue (in millions of dollars)



Net Income Per Share



**10-year**

YEAR

1972

INCOME STATISTICS

Gross operating revenue	\$305,870
Per cent annual change	25.1%
Income before taxes	\$ 30,244
Per cent of gross operating revenue	9.9%
Income taxes	\$ 14,522
Net income before extraordinary gain	\$ 15,982
Per cent annual change	25.7%
Net income including extraordinary gain	\$ 16,100
Earnings per share before extraordinary gain*	\$ 1.47
Earnings per share including extraordinary gain*	\$ 1.48
Provision for depreciation	\$ 3,309
Cash flow	\$ 19,317
Per share*	\$ 1.78
Dividends paid	\$ 2,499

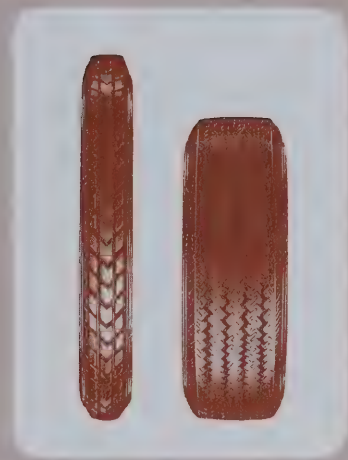
BALANCE SHEET AND OTHER STATISTICS

Working capital	\$ 38,184
Capital expenditures	\$ 17,989
Fixed assets—net	\$ 69,736
Shareholders' equity	\$ 98,482
Per share*	\$ 9.06
Per cent return on shareholders' equity	16.3%
Number of shareholders — Class A	8,626
— Common	1,268
Number of Associate Stores	269
Number of gasoline stations	49

\*Based on the weighted average number of shares outstanding during the year and

# comparative summary

Dollar amounts are expressed in thousands (except per share earnings)



1971	1970	1969	1968	1967	1966	1965	1964	1963
244,461	210,530	179,308	142,826	114,757	97,426	81,233	72,066	73,319
16.1%	17.4%	25.6%	24.5%	17.8%	19.9%	12.7%	-1.7%	9.1%
25,115	20,752	16,116	12,630	9,953	7,584	5,869	5,158	4,600
10.3%	9.9%	9.0%	8.8%	8.7%	7.8%	7.2%	7.2%	6.3%
12,606	10,889	8,491	6,648	5,077	3,891	3,035	2,660	2,365
12,713	10,058	7,734	6,008	4,923	3,655	2,834	2,498	2,235
26.4%	30.0%	28.7%	22.0%	34.7%	29.0%	13.5%	11.8%	77.5%
12,955	10,448	7,852	6,008	4,926	3,681	2,891	2,514	2,238
1.18	.95	.75	.60	.50	.38	.29	.26	.23
1.20	.98	.76	.60	.50	.38	.30	.26	.23
2,601	2,262	1,881	1,346	1,048	879	852	844	870
15,225	12,364	9,570	7,350	5,906	4,622	3,602	3,389	3,146
1.41	1.16	.93	.74	.59	.47	.37	.35	.33
2,166	1,928	1,170	899	761	584	497	452	442
34,264	13,398	9,809	11,617	6,878	5,896	7,580	6,365	5,252
10,644	12,551	10,049	6,922	4,655	3,931	1,715	1,129	1,390
55,304	47,663	37,464	29,565	23,989	20,440	17,387	16,523	16,238
83,774	71,489	53,144	45,622	34,143	28,683	24,903	22,508	20,446
7.74	6.72	5.15	4.57	3.44	2.95	2.57	2.33	2.13
15.5%	14.6%	14.8%	13.2%	14.4%	12.8%	11.6%	11.2%	10.9%
7,064	5,223	4,021	3,274	2,229	1,814	1,644	1,665	1,798
1,188	1,047	947	865	782	715	662	724	806
260	254	245	234	226	225	224	225	222
45	40	32	29	27	26	26	26	26

ted for a 5-for-1 split of July 12, 1966 and a 3-for-1 split of May 13, 1970.



***269 associate stores from  
Saskatchewan to Newfoundland***



*Relocated Dunnville store, built in 1972, dominates the downtown area of the popular Ontario vacation centre.*

# CANADIAN TIRE ACCEPTANCE LIMITED

## Statement of Income and Retained Earnings

for the Year ended December 31, 1972 (with 1971 figures for comparison)

	1972	1971
GROSS OPERATING REVENUE (Note 3) . . . . .	\$3,304,534	\$2,297,328
Operating expenses:		
Interest on borrowed funds . . . . .	409,907	256,281
Provision for credit losses . . . . .	752,891	447,733
Other . . . . .	1,640,047	1,177,525
Total operating expenses . . . . .	2,802,845	1,881,539
Income before income taxes . . . . .	501,689	415,789
Provision for income taxes . . . . .	241,032	211,866
NET INCOME FOR THE YEAR . . . . .	260,657	203,923
Retained earnings at beginning of the year . . . . .	494,825	290,902
RETAINED EARNINGS AT END OF THE YEAR . . . . .	\$ 755,482	\$ 494,825

## Statement of Source and Application of Funds

for the Year ended December 31, 1972 (with 1971 figures for comparison)

	1972	1971
FUNDS PROVIDED:		
Net income for the year . . . . .	\$ 260,657	\$ 203,923
Depreciation and amortization . . . . .	44,869	22,159
Total funds provided from operations . . . . .	305,526	226,082
FUNDS APPLIED:		
Additions to:		
Office furniture and equipment . . . . .	47,379	17,968
Leasehold improvements . . . . .	60,691	15,982
Motor vehicle . . . . .	3,689	—
Total funds applied . . . . .	111,759	33,950
INCREASE IN WORKING CAPITAL FOR THE YEAR . . . . .	193,767	192,132
Working capital at beginning of the year . . . . .	1,704,706	1,512,574
WORKING CAPITAL AT END OF THE YEAR . . . . .	\$1,898,473	\$1,704,706

The accompanying notes, on page 15, are an integral part of these financial statements.

# CANADIAN TIRE ACCEPTANCE LIMITED

Incorporated under the Laws of the Province of Ontario

## Balance Sheet as at December 31, 1972 (with 1971 figures for comparison)

ASSETS	1972	1971
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 140	\$ 100
Accounts receivable . . . . .	8,112	25,136
Charge account receivables (less allowance for credit losses, 1972—\$534,639; 1971—\$343,607) . . . . .	13,522,028	8,701,600
Prepaid expenses . . . . .	17,558	20,590
Total current assets . . . . .	<u>13,547,838</u>	<u>8,747,426</u>
<b>FIXED ASSETS — at cost:</b>		
Office furniture and equipment . . . . .	149,039	101,660
Leasehold improvements . . . . .	120,858	60,167
Motor vehicle . . . . .	3,689	—
	<u>273,586</u>	<u>161,827</u>
Less accumulated depreciation and amortization (Note 1) . . . . .	116,577	71,708
Net fixed assets . . . . .	<u>157,009</u>	<u>90,119</u>
TOTAL . . . . .	<u>\$13,704,847</u>	<u>\$8,837,545</u>
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	 <b>1972</b>	 <b>1971</b>
<b>CURRENT LIABILITIES:</b>		
Bank indebtedness (Note 2) . . . . .	\$ 766,365	\$ 313,500
Accounts payable . . . . .	1,167,484	820,038
Income taxes payable . . . . .	44,217	17,185
Short-term promissory notes (Note 2) . . . . .	9,600,000	5,825,000
Due to parent company . . . . .	71,299	66,997
Total current liabilities . . . . .	<u>11,649,365</u>	<u>7,042,720</u>
 <b>SHAREHOLDERS' EQUITY:</b>		
Capital stock:		
Authorized:		
200,000 5% non-cumulative, preference shares of a par value of \$10 each, redeemable at amount paid thereon		
200,000 common shares of no par value		
Issued and fully paid:		
120,000 preference shares . . . . .	1,200,000	1,200,000
100,000 common shares . . . . .	100,000	100,000
	<u>1,300,000</u>	<u>1,300,000</u>
Retained earnings . . . . .	755,482	494,825
Total shareholders' equity . . . . .	<u>2,055,482</u>	<u>1,794,825</u>
TOTAL . . . . .	<u>\$13,704,847</u>	<u>\$8,837,545</u>

Approved by the Board: B. R. Wilson, Director; J. D. Muncaster, Director.  
The accompanying notes, on page 15, are an integral part of these financial statements.

# CANADIAN TIRE ACCEPTANCE LIMITED

## BOARD OF DIRECTORS

A. E. BARRON  
R. LAW  
B. R. WILSON  
R. J. HOBBS  
J. D. MUNCASTER

## OFFICERS

B. R. WILSON, *President*  
J. D. MUNCASTER, *Vice-President*  
R. J. HOBBS, *Vice-President*  
R. LAW, *Secretary*  
F. Y. SASAKI, *Treasurer*

## notes to the financial statements

### 1 Depreciation and Amortization Policy

It is the company's practice to provide for depreciation under the declining-balance method, at annual rates of 20% for office furniture and equipment and 30% for the motor vehicle and to provide for amortization of leasehold improvements on a straight-line basis over a period of five years.

### 2 Short-term Promissory Notes and Bank Indebtedness

The short-term promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited. The parent company has available bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time. In addition, the parent company has guaranteed the bank loan amounting to \$222,500 which is included in bank indebtedness.

### 3 Revenue

Discounts on charge account receivables purchased from dealers are taken into revenue at the time the receivables are purchased. Customer accounts are maintained on a cycle-billing basis, and service charges are accrued each month on balances outstanding at the close of each cycle.

### 4 Remuneration (Directors and Senior Officers)

The total remuneration of directors and senior officers, as defined in The Business Corporations Act, Ontario, was \$118,075 in 1972 (1971—\$105,748).



Canadian Tire opened its first two stores in Saskatchewan in 1972—occupying shopping centre locations in Swift Current (above) and Saskatoon.

## Auditors' Report to the Shareholders

*We have examined the balance sheet of Canadian Tire Acceptance Limited as at December 31, 1972 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.*

*In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.*

Toronto, Canada  
March 9, 1973

Deloitte, Haskins & Sells  
Chartered Accountants



One of the earliest Canadian Tire stores, photographed in 1924 (Yonge Street, Toronto)

## ***The right product at the right time***

Canadian Tire observes the half-century mark—and reinforces a company tradition—by investing a record \$18 million in additional distribution and retail capacity

THE GROWTH OF Canadian Tire from 1922 to 1972, our fiftieth year of operation, corresponded with a new automotive age during which improved methods of production were followed by increased personal incomes. The company's founders—brothers John W. Billes and Alfred J. Billes—had chosen a most favourable point in time to implement the merchandising techniques which led to their success. From the very outset, their policy was to have *the right product at the right time*.

One of their "right products" in 1922—the year the company opened for business—was a home-made brand of anti-freeze, just as Toronto's 40,000 cars were first being accepted as a means of year-round transportation. Tires, batteries and a small line of repair parts, for the two most popular car makes of the day, rounded out the infant company's stock in trade. That fall, the city's first "Closed-Car Show" introduced an improved car heater, an automatic starter and windshield wipers—portents of the profitable replacement market that lay ahead.

Canadian Tire's initial merchandising principle of co-ordinating supply with demand is now applied by 269 Associate Stores—an increase of nine over 1971. Of the 23 new facilities built or leased in 1972, 14 were replacements for outgrown or out-moded buildings in the same general market area. Major additions and renovations were completed on a total of 12 facilities during the year. *Pit Stop* gas bars now number 49—an increase of four for 1972.

In our Golden Anniversary Year, capital expenditures for new construction reached an all-time company high of \$18.0 million, including a \$2.9 million outlay toward the first phase of our Mississauga Distribution Centre, now nearing completion on a 90-acre site just north of Toronto International Airport.

During 1972, Canadian Tire opened stores in Swift Current and Saskatoon, Saskatchewan, which extended our operations to that province for the first time (see photo on page 15). Both stores are integrally located in

shopping centres, following our previous success in similar locations in the eastern market.

The seven other stores opened in new market areas in 1972 are Niagara Falls (Ontario); Amos, Coaticook, La Sarre, Longueuil, Waterloo (Quebec), and St. Stephen, (New Brunswick).

Relocation and expansion projects were completed in Brockville, Dunnville, Fort Erie, Paris and St. Thomas (Ontario); Chomedey and Val d'Or (Quebec); Chatham, Campbellton, Edmundston, Grand Falls and Sussex (New Brunswick), Bedford and Dartmouth (Nova Scotia).

Several of our larger store buildings were designed with a second storey, accommodating our growing need for storage capacity by providing it in original structures at more economical rates. New facilities in this category are Niagara Falls (see page 19), St. Thomas (Ontario) and Longueuil, on Montreal's south shore.

As the year ended, construction was near completion on nine other new locations—including one of our largest stores at 2681 Danforth Ave., Toronto. Our development programme was particularly active in the province of Quebec, with five new stores opened by year-end and two more presently under construction in Montreal.

The search for new store sites in Western Canada continues and buildings are presently under construction in Brandon, Estevan and Yorkton.

Canadian Tire's continuing recognition of the need to retain a flexible attitude toward growth opportunities has resulted in a variety of new store designs. Grand Falls and Edmundston, N.B., were relocated in shopping malls. Other new shopping centre locations—in non-integrated, free-standing buildings—were Bedford, N.S., and Sussex and St. Stephen, N.B.

Two bowling alleys were converted into replacement stores—in Campbellton, N.B., and Chomedey, P.Q. The large (39,258 square foot) Chomedey recreational centre was purchased outright because of its strategic location in suburban Montreal.



*Architectural drawing of our new Mississauga Distribution Centre. The first phase of construction will be completed in 1973.*



*Our stock maintenance programme stresses full shelves.*



*Renovated gas bar at 304 Main Street, Hamilton — one of 49 such facilities.*



*Canadian Tire transport fleet began operation in 1967.*



*Dartmouth (N.S.) moved to new, larger premises in July.*



*First car parts stocked were for 1922 model above.*

DURING 1972, electronic terminals were installed in the Sheppard Avenue Distribution Centre for direct, "on-line" computer communication with our management information systems at home office. The Mississauga Centre will be similarly linked with the central computer. The computer-controlled, automated high-rise storage and retrieval system will be the first of its type in Canada.

The microfilming of our master product/price book and automotive parts data was completed during the year. Over 12,500 printed pages, listing merchandise stocked by Canadian Tire, were miniaturized on film. Each Associate Store received a file of 4 by 6-inch "microfiche" cards, each with up to 98 data pages on film, which are enlarged on a viewer for reference purposes. This new system simplifies up-dating and reference procedures and benefits the customer through faster in-store service. Our micro-publishing project is considered a major innovation in Canadian retailing methods.

**THE HAMILTON TIRE and Garage Limited**, as the company was originally known, opened for business on September 15, 1922, on the partners' joint investment of \$1,800.

Within a few weeks of opening, the Gerrard St. bridge, which routed traffic past the premises on Hamilton Street, was closed for repairs. To make up for lost trade, the garage was converted to an overnight car-park. "J.W." and "A.J."—as our founders were to become known to employees in later years—alternated as car attendants.

Early in 1923; the company moved twice—to retail-type premises on Bloor West and then Yonge Street. At the first of two Yonge & Isabella locations (1924 to 1937), a gasoline pump was installed beside the store and it was here that we were incorporated under a new name—Canadian Tire Corporation. Two branch stores were opened in the city.

A single-sheet price list, featuring a rare Ontario road map on one side, was issued in 1926—followed in 1927 by a mail-order flyer addressed to car owners in Southern Ontario and bordering New York State. The favourable response to these promotions led to the publication in 1928 of a semi-annual catalogue, now distributed to over 3,500,000 Canadian homes in either an English or French edition.

By 1930, Canadian Tire's direct method of selling and growing sales volume enabled the company to advertise car batteries at lower than the manufacturer's list prices. An "unconditional" tire guarantee, on our own Super-Lastic brand, followed in 1931—the first time in Canada that a tire had been guaranteed for other than manufacturing defects.

OUR FIRST OFFICIALLY designated "Associate Store" was opened in Hamilton, Ontario, in 1934, though various garages had stocked Canadian Tire automotive lines along with their own company brands. Our 24-page catalogue that year proclaimed us "*The Largest Direct Automotive Supply House in Canada*" and "*A 100% Canadian Company*." By now, Canadian Tire stores offered a much broader range of automotive parts and accessories, radio supplies and camping needs—many under our own brand names.

In 1937, President J. W. Billes and Vice-President A. J. Billes reached a notable milestone when the company purchased a vacant supermarket building at 837 Yonge Street—still our home office, though in considerably expanded form. Adjusting and generator rebuilding departments were created in the new headquarters and product divisions set up along present-day lines. Here, we gained a reputation as the store "where the clerks wear roller-skates"—the result of

a customer's suggestion for speeding up service to the counter from the huge stock-floor area.

The outbreak of war in 1939 was followed by supply shortages, quotas and rationing in general. New tires were available only on a high priority basis and our initial supply of retreaded tires—offered at well below going prices—was soon sold out. Other product lines replaced unavailable items, thus serving to broaden our merchandise range for the post-war years. The number of Associate Stores grew

from 71 in 1939 to 116 in 1946—a gain of 45.

By 1956, merchandise shipments to 156 stores throughout Eastern Canada had strained the facilities at our three-storey Pears Avenue warehouse, acquired only four years earlier. With future requirements in mind, plans were finalized for the construction of a completely new, specialized distribution building. The year marked both the beginning and end of a Canadian Tire era for as A. J. Billes turned the sod for the new building on our 45-acre Sheppard Avenue property, President J. W. Billes lay too ill to attend the ceremonies. He passed away only three days later.

DURING THE 10-YEAR presidency of A. J. Billes (1956-1966) the company accelerated its programme of expansion and modernization. The number of Associate Stores reached 225—a gain of 69. Five successive additions were built onto our Sheppard Avenue Distribution Centre, increasing the total square footage from 232,800 to 910,000—making it the largest such facility in Canada. (A further 230,000 sq. ft.



Hamilton Tire and Garage opened in 1922 in this downtown Toronto building.

addition was completed in 1970.) The latest in storage and conveyor systems were installed in each separate phase of construction to maximize vertical use of space.

Our Staff Retirement and Profit Sharing Plan, formalized in 1957, engendered a sense of participation and job motivation in employees that played a major role in Canadian Tire's subsequent growth. Our first French catalogue was issued that year. Cash bonus discount coupons were introduced to customers in 1958 at our first "gas bar" and these coupons were extended to store purchases in 1962.

The company also "came of computer age" under President A. J. Billes when electronic equipment was installed in 1959 to process invoices and general accounts and to control inventory for a growing number of dealers. Many additional uses were devised for the computer over the years by systems management.

AFTER HIS DECADE of creative leadership, A. J. Billes was succeeded as president by J. Dean Muncaster, a director of the company and the son of a former Associate Store Owner in Sudbury, Ontario. A few months after he assumed office in 1966, Canadian Tire opened the first store west of the Ontario border (in Winnipeg) and Canadian Tire Acceptance Limited was integrated with the parent company to provide customers with credit facilities.

Under the new management team, gross operating revenue increased from \$97.4 million in 1966 to the 1972 year-end figure of \$305.9 million, while the total number of stores rose from 225 to 269 over the same period. New construction was undertaken on a considerably larger scale.

In 1967, two driver-owned tractor-trailers inaugurated our long-distance hauling operation. The fleet now includes 181 trailers and 55 tractors which transport over half of outgoing merchandise and return to our Distribution Centre with goods loaded at manufacturers and suppliers on their way back to Toronto.

WITH OUR GOLDEN Anniversary Year now behind us, the market prospects ahead appear most encouraging for our automotive, household and leisure-time products. With our half-century of merchandising experience to draw on, we hope to continue our overall growth and to strengthen our competitive position. And with completion in Mississauga of our second major distribution centre in 1973, Canadian Tire can look forward to providing a growing list of associate dealers with *the right product at the right time*—our formula for success in the marketplace.



*Niagara Falls' second Canadian Tire store opened on McLeod Road.*



*Fort Erie (Ontario) relocation expanded the total functional area.*



*New Brockville (Ontario) location provides increased parking area.*



*Renovated Parry Sound (Ontario) store added local colour.*



JOHN W. BILLES, one of our founders and President of Canadian Tire Corporation from 1927 to 1956. (Taken from a portrait.)



ALFRED J. BILLES, our President from 1956 to 1966, is still active in the company.

## BOARD OF DIRECTORS

- A. E. BARRON, *Chairman of the Board*, Canadian Tire Corporation, Limited, Toronto, Canada  
*President*, Canadian General Investments, Limited
- A. D. BILLES, *President*, Bilco Tire Limited, Toronto, Canada — *A Canadian Tire Associate Store Owner*
- A. J. BILLES, *Past-President*, Canadian Tire Corporation, Limited, Toronto, Canada
- A. W. BILLES, *President*, 839 Yonge Main Store Ltd., Toronto, Canada — *A Canadian Tire Associate Store Owner*
- D. G. BILLES, *President*, Performance Engineering Limited, Thornhill, Canada
- G. A. BEAL, *President*, George A. Beal Limited, Brantford, Canada — *A Canadian Tire Associate Store Owner*
- R. J. HOBBS, *Vice-President*, Canadian Tire Corporation, Limited, Toronto, Canada
- R. LAW, Q.C., *Secretary*, Canadian Tire Corporation, Limited, Toronto, Canada  
*Partner*, Blackwell, Law, Treadgold & Armstrong, *Barristers and Solicitors*
- J. D. MUNCASTER, *President and Chief Executive Officer*, Canadian Tire Corporation, Limited, Toronto, Canada
- A. L. SHERRING, C.A., *Executive*, National Trust Company, Limited, Toronto, Canada

## OFFICERS

- A. E. BARRON, *Chairman of the Board*  
 J. D. MUNCASTER, *President*  
 R. J. HOBBS, *Vice-President*  
 W. R. DAWSON, *Vice-President, Marketing*  
 J. W. KRON, *Vice-President, Distribution*  
 R. LAW, *Secretary*  
 F. Y. SASAKI, *Treasurer*

## REGISTRAR & TRANSFER AGENT

National Trust Company, Limited  
 Toronto, Montreal and Calgary

## SOLICITORS

Blackwell, Law, Treadgold & Armstrong

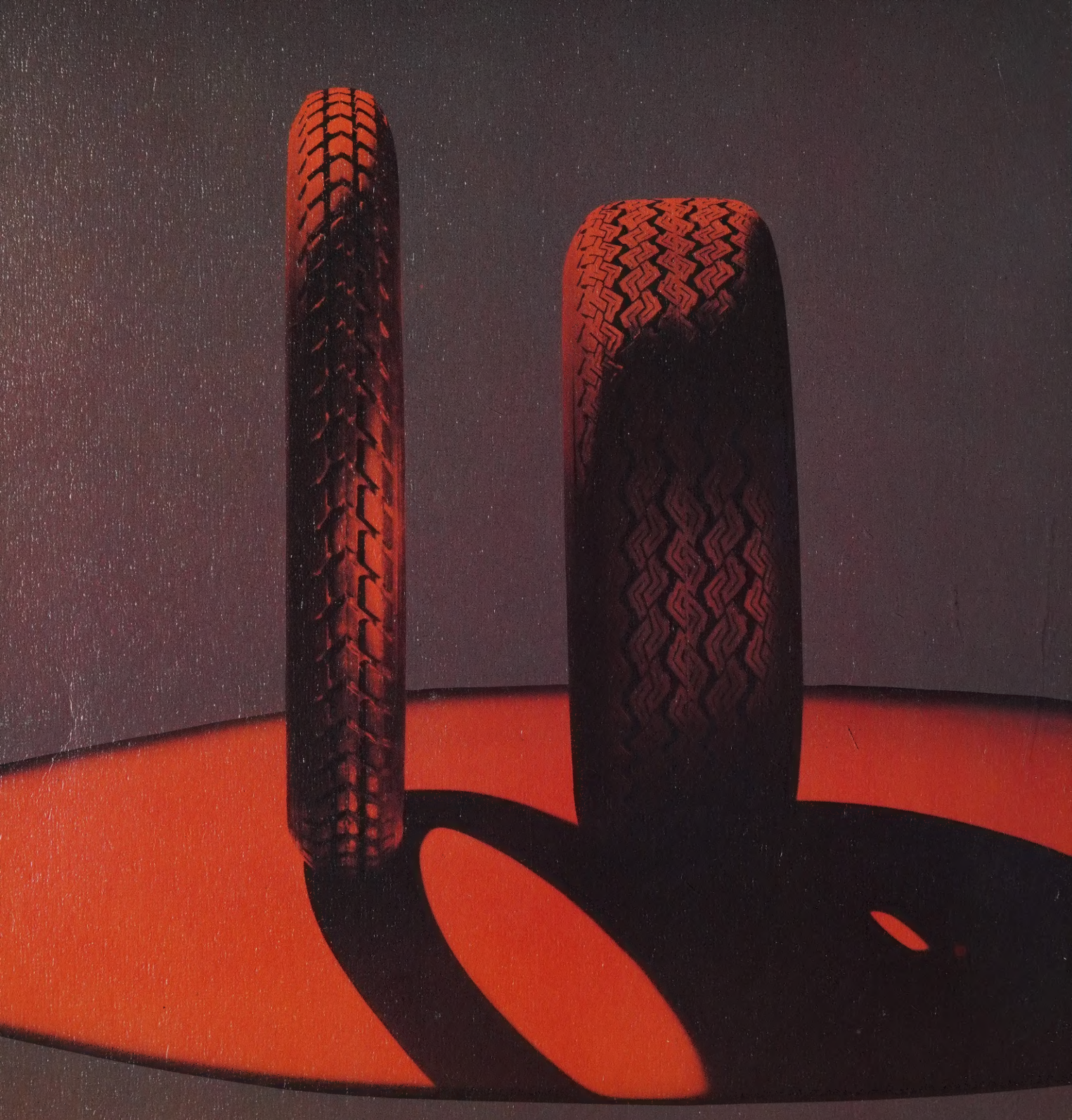
## BANKERS


Canadian Imperial Bank of Commerce  
 Chicago City Bank and Trust Company

## AUDITORS

Deloitte, Haskins & Sells, *Chartered Accountants*





The right product at the right time . . . 1922  1972